

Message Text

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ACTION IO-10

INFO OCT-01 ARA-06 EUR-12 ISO-00 IOE-00 STR-04 AGR-05

CEA-01 CIAE-00 COME-00 DODE-00 EB-07 FRB-03 H-02

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INFO USUN NEW YORK 431

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USMISSION GENEVA

AMEMBASSY BUENOS AIRES

AMEMBASSY CARACAS

AMEMBASSY MONTEVIDEO

AMEMBASSY ASUNCION

USDEL MTN GENEVA

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

C O N F I D E N T I A L BRASILIA 9518

E.O. 11652: GDS

TAGS: ETRD, PFOR, UNGA, BR

SUBJECT: 30TH UNGA - AGENDA ITEM 123(BRAZILIAN TRADE AGREEMENT
PROPOSAL)

REFS: (A) BRASILIA 9261

(B) BRASILIA 9123

(C) BRASILIA 7630

1. SUMMARY. ACCORDING TO A FONMIN OFFICIAL, BRAZIL'S UNGA
PROPOSAL FOR A NEW NORTH-SOUTH TRADE AGREEMENT HAS PICKED
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UP SOME SUPPORT FROM UN MEMBERS THAT DO NOT TO PART-

ICIPATE IN THE CONFERENCE ON INTERNATIONAL ECONOMIC COOPERATION (CIEC). DESPITE THIS ADVANTAGE, THE PROPOSAL SEEMS TO HAVE DRAWN AN UNENTHUSIASTIC RESPONSE. THE IDEA SEEMS TO US TO LACK GOB INTELLECTUAL DIRECTION OR INTERNAL POLITICAL COMMITMENT, AND BRAZIL LACKS SUFFICIENT LDC CREDIBILITY TO SPONSOR IT EFFECTIVELY. WE BELIEVE THESE DIFFICULTIES HAVE CAUSED THE GOB TO DEFER CONCEPTUAL EFFORTS AND TO CONCENTRATE ON THE FORMATION OF AN UNGA STUDY GROUP. END SUMMARY

2. FONMIN SILVEIRA'S ASSISTANT FOR ECONOMIC AFFAIRS, COUNSELOR LUIS LAMPREIA, HAS TOLD EMBOFFS THAT SILVEIRA'S UNGA PROPOSAL FOR A NEW NORTH-SOUTH TRADE AGREEMENT HAS PICKED UP UNEXPECTED SUPPORT FROM UN MEMBERS THAT DO NOT EXPECT TO BE ASKED TO PARTICIPATE IN THE CIEC. THESE COUNTRIES ARE CONCERNED, ACCORDING TO LAMPREIA, THAT THE CIEC WILL TAKE AWAY FROM THE UN THE MOMENTUM FOR DIALOGUE ON KEY NORTH-SOUTH ISSUES, AND THEY SEE SILVEIRA'S PROPOSAL AS A WAY TO RETAIN WITHIN THE UN THE MANDATE FOR DEALING WITH MANY OF THESE ISSUES. LAMPREIA SAID THESE COUNTRIES BELIEVED

THEY HAD GAINED SIGNIFICANT INFLUENCE IN THE UN IN RECENT YEARS AND THE CIEC WOULD NEGATE THIS DEVELOPMENT. HE INDICATED THAT THE BRAZILIAN DELEGATION TO THE UN WOULD CONTINUE TO DISCUSS THE PROPOSAL BILATERALLY WITH OTHER UN DELEGATIONS IN NEW YORK, INCLUDING THE EC, NORDIC, AND JAPANESE DELEGATIONS IN THE NEXT FEW WEEKS.

3. COMMENT: THE UNEXPECTED SUPPORT SEEMS NOT HAVE CHANGED THE GOB'S PERCEPTION OF THE LIMITED PROSPECTS FOR THE PROPOSAL. WHEN ASKED ABOUT FOREIGN REACTION TO THE IDEA, LAMPREIA REPLIED VAGUELY THAT IT "WAS NOT CLEAR." WE TAKE THIS TO MEAN THAT IT CONTINUES TO BE UNENTHUSIASTIC, WHICH SOME FONMIN OFFICIALS ATTRIBUTE TO THE NEWNESS OF THE IDEA.

4. BRAZIL'S PROPOSAL SEEMS TO HAVE MORE PROBLEMS THAN THESE. IT APPEARS TO BE COASTING WITHOUT A GREAT DEAL OF GOB INTELLECTUAL DIRECTION OR INTERNAL POLITICAL COMMITMENT. BRAZIL'S KEY ECONOMICS MINISTRIES, FINANCE AND PLANNING, HAVE GIVEN LITTLE ATTENTION TO THE PROPOSAL, WHICH THEY WERE NOT ASKED TO CLEAR IN ADVANCE. ONLY CENTRAL BANK PRESIDENT PAULO LIRE HAS INDICATED DISCERNIBLE INTEREST, BUT HE BELIEVES THAT THE PROPOSAL MISSES CONFIDENTIAL

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THE POINT IN TERMS OF BRAZIL'S OWN NEEDS, MAINLY MORE LONG-TERM FINANCING (REF B). LAMPREIA TOLD EMBOFF THAT THE FOREIGN MINISTRY WAS TRYING TO ACCOMMODATE LIRA'S DESIRE TO HAVE THE PROPOSAL INCORPORATE CONCEPTS REGARDING LONG-TERM FINANCING, BUT HE THOUGHT THE EFFORT DIFFICULT SINCE "IT IS HARD TO COME UP WITH MULTILATERAL RULES ON FINANCING." CONTRIBUTING TO THE LACK OF INTERNAL POLITICAL COHESION IS THE APPARENT ABSENCE OF ANY EFFORT BY THE FOREIGN MINISTRY TO FLESH OUT THE PROPOSAL IN ORDER TO

SEE HOW IT WOULD MESH WITH BRAZIL'S INTERESTS. PERHAPS THIS IS BECAUSE THE FONMIN'S TRADE EXPRTS ARE TOO BUSY ON THE MTN NEGOTIATIONS, BUT, MORE PROBABLY, THE ABSENCE OF INITIATIVE STEMS FROM THE INTELLECTUAL AND TECHNICAL DIFFICULTIES FOR BRAZILIAN DIPLOMATS TO QUICKLY CONCEPTUALIZE NEW DEPARTURES IN WORLD TRADE RELATIONS THAT WOULD: (A) FUNCTION, (B) NOT PROVE TOO LEGALISTIC AND APOLITICAL FOR LDCS, (C) EMBODY SUBSTANTIALLY GREATER DC CONCESSIONS ON DIFFERENTIAL TREATMENT FOR LDCS, AND (D) DEAL WITH RAW MATERIALS QUESTIONS.

5. ANOTHER PROBLEM FOR SUCCESSFUL BRAZILIAN SPONSORSHIP OF A WORLD ISSUE PROPOSAL IS THAT BRAZIL'S DECISION NOT TO JOIN THE IRON ORE PRODUCERS ASSOCIATION, FOR REASONS OF SELF-INTEREST, REDUCES THE GOB'S CREDIBILITY WITH OTHER LDCS. THESE COUNTRIES MIGHT WELL DOUBT THE WISDOM OF RELYING ON BRAZILIAN LEADERSHIP IF, IN THE NEGOTIATION OF ANY NORTH-SOUTH AGREEMENT, AN ISSUE AROSE IN WHICH BRAZIL'S DIRECT INTERESTS CONFLICTED WITH LDC PRECEPTS OR THE INTERESTS OF LDCS AS A WHOLE.

6. THE DIFFICULTIES OUTLINED ABOVE, WE BELIEVE, HAVE CAUSED THE GOB TO DEFER (OR ABANDON) ELABORATION OF SPECIFIC CONCEPTS WITHIN THE PROPOSAL, AND TO CONCENTRATE ON OBTAINING THE CREATION OF AN UNGA STUDY GROUP TO EXAMINE THE IDEA (REF A). THE CREATION OF A STUDY GROUP WOULD HAVE TWO ADVANTAGES FOR BRAZIL: IT WOULD SIGNAL A MEASURE OF LEGITIMACY AND INTERNATIONAL SUPPORT FOR THE IDEA, AND, MORE IMPORTANTLY TO THE GOB, IT WOULD RELIEVE BRAZIL OF PART OF THE BURDEN TO CREATE AND SUSTAIN THE INTELLECTUAL DIRECTIONS AND INTERNATIONAL POLITICAL SUPPORT FOR THE PROPOSAL.

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